

Motion Rejection Hearing: June 3, 2009 at 11:00 a.m.

Objection to Rejection Motion Due: May 26, 2009 at 4:00 p.m.

HUDSON, MALLANEY & SHINDLER, PC
5015 Grand Ridge Drive, Suite 100
West Des Moines, IA 50265-5749
Phone: (515) 233-4567
Fax: (515) 223-8887
E-mail: mpmallaney@hudsonlaw.net
Michael P. Mallaney (pro hac vice pending)

Counsel for Des Moines Chrysler

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re: :
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Chrysler LLC, *et al.*, :
:
-----X

Chapter 11
Case No. 09-50002 (AJG)

Jointly Administered

**OBJECTION OF DES MOINES CHRYSLER TO MOTION OF DEBTORS AND
DEBTORS IN POSSESSION FOR AN ORDER, PURSUANT TO SECTION 105, 365 AND 525
OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 6006, (A) AUTHORIZING THE
REJECTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES WITH CERTAIN
DOMESTIC DEALERS (B) GRANTING CERTAIN RELATED RELIEF**

TO THE HONORABLE ARTHUR J. GONZALEZ
UNITED STATES BANKRUPTCY JUDGE

Des Moines Chrysler by and through its undersigned counsel, hereby files this Objection (the "Objection") to the Motion (Rejection Motion) (Docket No. 780) of the above captioned Debtors and Debtors in Possession (Collectively, "Chrysler" or "Debtors") seeking authority to reject executory contracts with certain domestic dealers (Chrysler Affected Dealers).

The Objection is supported by the Declaration of Gene Gabus of Des Moines Chrysler, Argument and Legal Memorandum incorporated by reference from Objection of the Committee of Chrysler Affected Dealers to Motion of Debtors and Debtors in Possession for an Order Authorizing the Sale of Substantially All of the Debtors' Operating Assets and for Other Relief (Docket No. 1045).

PRELIMINARY STATEMENT

1. The Rejection Motion and relief requested would devastate Des Moines Chrysler. It would: (1) destroy an independent business; (2) ruin the livelihood of the owners of Des Moines Chrysler which has been in business for at least thirty years; (3) cause the loss of approximately sixty jobs at Des Moines Chrysler and potentially job losses at vendors, suppliers and financiers of Des Moines Chrysler; (4) precipitate inevitable personal bankruptcies from the sixty plus employees who will lose their jobs; (5) reduce tax revenues that Des Moines Chrysler has paid to the local taxing authorities (Gabus Declaration).

2. The continuation of Des Moines Chrysler does not cost Chrysler anything. Des Moines Chrysler pays for everything including inventory, parts, equipment, real estate, salaries and benefits (Gabus Declaration).

FACTUAL BACKGROUND - DES MOINES CHRYSLER

3. On May 14, 2009, the Debtors filed their Rejection Motion. Des Moines Chrysler is

identified as one of these scheduled 789 separate dealers which Chrysler seeks to reject.

4. Des Moines Chrysler is a single line make Chrysler Dealership located in Des Moines, Iowa. Des Moines Chrysler has been in business for almost thirty years (Gabus Declaration).

5. Des Moines Chrysler employs sixty people who would lose their jobs and livelihood if the Des Moines Chrysler dealership is rejects (Gabus Declaration).

6. Des Moines Chrysler has over \$2.6 million invested in land and building, \$6.2 million in new car inventory at cost and \$300,000 in parts at cost, more than the average dealership (Gabus Declaration) (Affected Dealers Objection Docket 1045, Paragraph 31).

7. Des Moines Chrysler at the urging of Chrysler representatives purchased extra new Chrysler vehicles and now not only faces rejection of its thirty year Chrysler Dealership but now will also be prohibited from selling the new car inventory and parts to the public if the Des Moines Chrysler dealership is terminated as requested in the Rejection Motion (Gabus Declaration).

8. The Rejection Motion of Chrysler is void of any facts evidencing (other than the conclusionary allegations) (Second Grady Declaration) that Chrysler would suffer a loss or be deprived of an economic benefit unless the Des Moines Chrysler dealership was terminated. The facts evidence a contrary conclusion.

9. Des Moines Chrysler bares the cost and expenses incurred by its dealership including those related to land, showroom, inventory, personnel, training, employee benefits, maintenance, sign age, advertisements, insurance and taxes. These costs and expenses are not subsidized by Chrysler (Gabus Declaration).

ARGUMENT

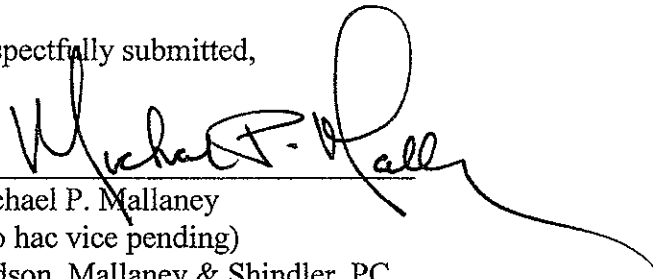
10. Des Moines Chrysler adopts and incorporates by reference the Arguments and Legal Authorities against rejection as set forth in the Argument and Memorandums of Authority in the

Objection of the Committee of Chrysler Affected Dealers to Motion of Debtors and Debtors in Possession for an Order Authorizing the Sale of Substantially All of the Debtors' Operating Assets and Other Relief.

11. Des Moines Chrysler submits that the points and authorities adopted herein satisfy the requirements of Local Bankruptcy Rule for the Southern District of New York, 9013-1(b).

WHEREFORE, Des Moines Chrysler respectfully requests that the Court deny the Rejection Motion and that the Court grant such other and further relief as is just and equitable.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael P. Mallaney", with a long, sweeping horizontal line extending to the right.

Michael P. Mallaney
(pro hac vice pending)
Hudson, Mallaney & Shindler, PC
5015 Grand Ridge Drive, Suite 100
West Des Moines, IA 50265-5749
Phone: (515) 223-4567
Fax: (515) 223-8887
E-mail: mpmallaney@hudsonlaw.net

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

In re:

Chapter 11

Chrysler LLC, et al.,

Case No.: 09-50002 (AJG)

Debtors.

(Jointly Administered)

DECLARATION OF GENE GABUS

I, Gene Gabus, make this declaration under 28 U.S.C. § 1746 and state as follows:

1. I am an owner of Des Moines Chrysler, a single line make Chrysler Dealership located in Des Moines, Iowa. I am older than 21 years of age and suffer no legal disability. I am competent to make this declaration.
2. Des Moines Chrysler has been a Chrysler Dealership for almost 30 years started originally by my father Charles Gabus.
3. Des Moines Chrysler as an independently owned franchise bares the costs and expense incurred by the dealership. We receive no assistant or subsidy from Chrysler. Des Moines Chrysler alone pays for it's land, showroom, inventory, personnel, training, employee benefits, tools, equipment, signage, advertising, promotional material and taxes.
4. Des Moines Chrysler currently has 60 employees whose 140 family members depend on Des Moines Chrysler's income for their livelihood.
5. The dealership facility from which Des Moines Chrysler operates has an appraised value of \$2,600,000 and Des Moines Chrysler annually pays to the local county government \$97,383 in property taxes.
6. During the last five years Des Moines Chrysler has done the following:

- 1) Sold approximately 3817 new Chryslers.
- 2) Performed \$1,975,252.00 of warranty repairs for the Chrysler products.
- 3) Purchase approximately \$10,471,220 in parts from Chrysler.
- 4) Paid Chrysler Financial in excess of \$3,000,000 in interest on new Chryslers that were floor planned and in stock.
- 5) Paid in excess of \$1.6 million in income taxes.

7. That prior to the filing of the Chrysler bankruptcies on April 30, 2009, I was encouraged by Chrysler representatives to purchase as many as new Chrysler vehicles as possible to help Chrysler financially and avoid bankruptcy. Based upon this Des Moines Chrysler since January 1, 2009 has purchased 198 new vehicles from Chrysler. This number is approximately 150 more new vehicles than normally purchased.


8. On May 13, 2009 Des Moines Chrysler received a notice from Chrysler (a copy of which is attached hereto as Exhibit "A") that Des Moines Chrysler was one of the Franchise Agreements Chrysler now seeks to reject and was terminating. Des Moines Chrysler currently has on hand at cost approximately \$300,000 of parts inventory and \$6.2 of new Chrysler cars at cost.

9. It is my understanding that in addition to attempting to terminate Chrysler will not purchase the new vehicle inventory or the parts inventory.

10. Should the Court approve Chrysler's Motion to Reject Des Moines Chrysler's Dealership Agreement the damage to Des Moines Chrysler and it's employees will be substantial. Sixty employees will lose their jobs and Des Moines Chrysler will have on hand new vehicles and mopar parts that cannot be sold to the general public but only to those remaining dealerships at a substantial discount and loss. I specifically request that the Court deny Chrysler's

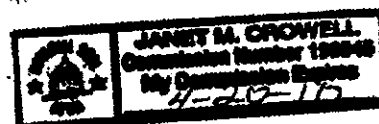
Motion to Reject for all the reasons stated above and for the reasons set forth in the Objection
filed herein to the Motion to Reject.

Dated: 5-20-2009


Gene Gabus

Subscribed to before me this 20th day of May, 2009.


Notary Public in and for the State of Iowa





66517
Charles Gabus
Des Moines Chrysler-Plymouth, Inc.
Des Moines Chrysler
4410 Merle Hay Road
Des Moines, IA 50310

May 13, 2009

Dear Charles Gabus,

As you know, we are in the process of seeking approval of the sale of our primary operating assets to a new company. The unprecedented decline in the industry has had a significant impact upon sales and requires the new company to reduce production levels to better match ongoing demand. With the downsizing of operations following the sale and reduction of plants and production, similar reductions must be made in the size of the dealer body.

With regret, this letter is to inform you that on May 14th, 2009, we are filing a motion in bankruptcy court rejecting the Sales and Service Agreement(s) between Chrysler Motors LLC and the dealership listed above. Upon approval from the court, your agreement will be rejected on or about June 9, 2009.

We intend to maintain "business as usual" with you until the rejection takes place. We intend to honor warranty and incentive payments, during the period that you remain an active dealer subject to available financing. It is necessary to work together to make this transition as seamless as possible to your customers. After rejection, we want to work with you to assist in the redistribution of new vehicles and parts to ease the burden on you. Attached to this letter, please find further details regarding the transition period. Your business center will be in touch to offer assistance.

These are extraordinary times, and they call for extraordinary efforts. It is with a sense of profound sadness that we must take this step and reject some of our dealer Sales and Service Agreement(s), but it's a necessary step in the process of pursuing and completing the sale of our assets to the new company. We wish there was a better way, but there isn't.

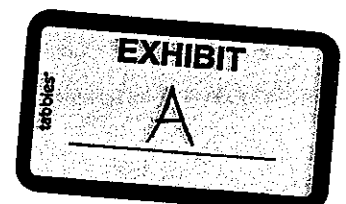
We are grateful for the support you and your company have provided Chrysler over the years and we wish you the best under these circumstances.

Respectfully,

A handwritten signature in black ink, appearing to read "J. Tangeman".

J. Tangeman
National Dealer Placement Manager

V-1-642



Transition Period Information

We have provided below the processes and guidelines we will have in place to assist you. We know your customers have been important to you, and we recognize that it is in our mutual interest to work together to serve your customers during this transition period.

New Vehicle Inventory

As a result of its recent bankruptcy filing, Chrysler LLC is unable to repurchase your new vehicle inventory. However, we will assist with the redistribution of as many of your eligible vehicles as possible, among the dealers remaining in the Chrysler network. All vehicles will be inspected by a third party for equipment, damage, and mileage prior to redistribution. Any vehicles "reported sold" and in stock will not qualify.

Vehicle eligibility will be as follows:

- New and unused
- Undamaged
- No demos
- No more than 125 miles
- No vehicle previously reported sold

Parts and Accessory Inventory

Redistribution of Parts

As a result of its recent bankruptcy filing, Chrysler LLC is unable to repurchase your Mopar parts inventory. However, we will endeavor to match you with a dealer to consider purchase of your parts. This redistribution will occur among the dealers remaining in the Chrysler network. All agreements and transactions will be between the buying and selling dealers.

With your agreement, your parts inventory information will be provided to the remaining dealerships. The sales, payment, and delivery terms of the parts inventory are between dealerships.

Parts Ordering

Ordering will remain available for Daily Stock and Special Handling orders. Order delivery and return pick-up will continue per current delivery schedules.

At the time the rejection motion is filed, dealerships subject to rejection that are enrolled in ARO (Automatic Replenishment Ordering) will be removed from the program to alleviate an increase in dealer parts inventories.

Essential/Special Tools

As a result of its recent bankruptcy filing, Chrysler LLC is unable to repurchase your Essential/Special tools. However, we will assist with the redistribution of as many of your Essential/Special tools as possible. This redistribution will occur among the dealers remaining in the Chrysler network. All agreements and transactions will be between the buying and selling dealers.

Warranty Claims Processing

All Warranty, MOPAR, Recall, Transportation and Chrysler Service Contract Claims must be submitted to Chrysler Motors LLC for payment within seven days of the expected court approved rejection date. Chrysler will endeavor to credit your Dealer Statement for approved and processed claims.

- Warranty repairs performed after the rejection date are not eligible for payment.
- Submission of claims via DealerConnect is available until seven (7) days after the expected court approved rejection date.
- Upon rejection all current Warranty Material Return requirements remain in effect until seven (7) days after the court approved rejected date.
- Continue to maintain all supporting documents in the event of claim denials or chargebacks.

Sales Incentive Claims Processing

Incentive Claim Processing will be available for final claim submission and payment until seven (7) days after the court approved rejection date. Chrysler will endeavor to credit your Dealer Statement for approved and processed claims.

- Only those new vehicles retailed to bona fide customers prior to the expected court approved rejection date are eligible to be reported through the NVDR system.
- Vehicles with retail delivery dates prior to the expected court approved rejection date must be reported through the NVDR system in order for incentive claims to be processed.
- If a vehicle is reported through the NVDR system and incentives are claimed, that vehicle can not be redistributed to another dealer's inventory.
- Chrysler reserves the right to reject any claims for incentives that do not meet established program rules as indicated in the Gold Book.

Brand Signs

Upon rejection, all Chrysler will remove Chrysler owned signage at the earliest possible date.

DealerConnect Access

All DealerConnect user S-ID access, with the exception of the Dealer Principal, will be deactivated on the expected court approved rejection date. Thereafter, only the Dealer Principal's S-ID and password will be able to access and utilize available applications within DealerConnect.

Discontinued Use of Chrysler LLC Trade Names, Trademarks, Logos, etc.

After expected court approved rejection date of your Sales and Service Agreement, you must immediately discontinue using any trade names applicable to Chrysler LLC and its subsidiaries in your corporate, firm or trade name and using any trade names, trademarks or insignias adopted or used by Chrysler LLC or its divisions, parent, affiliate or subsidiary companies, and take such steps as may be necessary to change such corporate, firm, or trade name. In addition, you must eliminate advertising containing any such trade names, trademarks or insignias, or anything else that would identify you as an authorized dealer for Chrysler Motors vehicles or products.

Questions

Should you have any questions regarding Chrysler LLC's bankruptcy process, you may visit the website chryslerrestructuring.com. Additionally, Dealer Principals may access "Ask Chrysler" on the home page of DealerConnect.